

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6662

BILL NUMBER: HB 1391

NOTE PREPARED: Jan 31, 2014

BILL AMENDED: Jan 30, 2014

SUBJECT: CHOICE Program.

FIRST AUTHOR: Rep. Clere

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill changes asset limitations within the Community and Home Options to Institutional Care for the Elderly and Disabled Program (CHOICE) from \$500,000 to \$250,000 and specifies certain exemptions. It also requires annual adjustment of the asset limitation using the federal Consumer Price Index.

The bill allows a participant who is unable to perform at least one activity to participate in the program under specified circumstances.

The bill requires the Division of Aging (DoA) to: (1) establish a cost participation schedule based on income and assets; and (2) redistribute certain savings obtained by the provision of services at no cost to the program. It also requires the DoA to exclude \$10,000 of a participant's countable assets from consideration in determining cost participation.

The bill allows the DoA to: (1) annually redetermine program eligibility; and (2) place a lien to recoup the cost of services that exceed \$10,000.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *CHOICE Eligibility Expansion:* The fiscal impact of this provision would be limited by the level of the appropriation. The bill would allow individuals unable to perform one activity of daily living (ADL) or some activity to qualify for CHOICE services if the AAA determines that addressing the deficit or providing targeted intervention or assistance would significantly reduce the likelihood of the loss of independence and the need for additional services. The cost of this provision would

depend on the extent to which the AAAs may already be providing services for persons unable to perform one ADL. (The 2010 *CHOICE Annual Report* identified that services were provided to 571 persons with one documented ADL. These may have been only case management services.) The CHOICE program also currently provides Medicaid waiver recipients services that are not covered under the waiver.

Case Management Services: The bill provides that the DoA is to provide funding to provide case management services for the program. Case management dollars currently are allocated from Title III B federal funding (Supportive Services and Senior Center Programs), the CHOICE appropriation, and the Social Security Block Grant allocation. This provision is not expected to have a fiscal impact since funding is currently provided for case management services.

(Revised) *Income and Asset Determination:* The bill includes the verification of an applicant's income and assets in the definition of case management. Currently, CHOICE applicants are expected to apply for Medicaid if they are not already receiving Medicaid assistance or have not applied within the last 90 days. DoA has reported that sometimes CHOICE applicants are given an expedited Medicaid denial if their resources are clearly over the Medicaid limits. After July 1, 2014, the bill restricts a CHOICE initial applicant's assets to \$250,000 as adjusted by the Consumer Price Index (CPI) and further specifies that only assets that are included in the Medicaid determination may be used for the CHOICE program. (The most common Medicaid asset exclusion is the principal home and automobile in determining available assets.) It is not clear if this language would include the Medicaid look-back requirements concerning the transfer of assets or the spousal impoverishment provisions which allow for a higher level of income and assets for the support of a community spouse. The lower level of assets allowable would only apply to new applicants. Current participants would be unaffected by the lower standards. This provision would have an indeterminate fiscal impact to the extent that current CHOICE participants may have countable assets in excess of \$250,000. The bill would also allow a redetermination at the DoA's discretion. DoA has reported that there is currently an annual eligibility redetermination process in place for the CHOICE program. DoA has further reported that CHOICE asset determination is done on the basis of self-declaration by the client. The value of a primary home and automobile are not included in the level of assets considered. No further actions are taken to verify the client's information outside of the Medicaid application process conducted by the Division of Family Resources. Increasing the level of required asset verification as well as the use of different standards for participants based on application dates will require an increased level of administrative resources. More administrative complexity may result in fewer dollars available for provision of services.

The bill also establishes an annual process to increase the asset limitation by the CPI and requires the result to be published in the *Indiana Register* each year. This requirement would be an administrative duty that should be able to be accomplished within the resources available to the DoA. Increasing the asset limitation could potentially allow more individuals to qualify for CHOICE services. Since the allowable Medicaid asset limitations are not changed, it will do nothing to allow more individuals to qualify for the Medicaid waiver services for which state funds can be leveraged with 67% federal funds.

(Revised) *Cost Participation:* The bill requires the DoA to establish a cost participation schedule based on CHOICE participants' income and assets. The bill requires that the first \$10,000 of assets should be disregarded in the determination of the cost share. Current statute already provides that the CHOICE board is to establish a client cost share for individuals with incomes above 150% of the federal poverty level (FPL). The sliding scale increases by 0.5% for each percentage point increase in the percentage of poverty over 150% of FPL. Medical expenses that would cause an applicant's available income to drop below the 150% threshold are also disregarded. Clients with incomes of more than 350% FPL or who possess assets in excess of \$500,000 are responsible for the entire cost of CHOICE services (Most sliding fee scales are based solely

on income since assets are not always easily converted to cash).

Collections of Cost Share: For FY 2013, 253 CHOICE clients with incomes over 150% FPL were billed an average cost share of 18%, or \$174,400, for services costing \$968,400. DoA reported that 87% of the billed cost share was collected, or \$151,900. Cost share collected by the AAAs can be used to purchase more CHOICE services.

(Revised) *Uncompensated Care:* The bill establishes a distribution for savings realized due to services provided by a person, such as a relative, who is not compensated for the care. Currently, no dollars are allocated for care that is not compensated. Therefore, the impact of this provision, if any, would be an offset of the individual's required cost share. Any savings realized because a spouse or a parent provides care without compensation is currently available for the provision of other services within the CHOICE program. It is not clear if this provision would allow the AAAs to determine some level of savings and retain 50% for administrative expenses rather than for the purchase of CHOICE services for recipients.

(Revised) *Liens:* The bill would allow the DoA to place liens on property to recover the cost of CHOICE services provided in excess of \$10,000. The fiscal impact of this provision is indeterminate, being dependent upon individual circumstances.

Additional Information: Currently, CHOICE eligibility standards include the following: (1) 60 years of age or disabled; (2) no income restrictions - cost share is required for anyone above 150% of FPL; (3) assets under \$0.5 M; (4) unable to perform two or more assessed ADLs.

In 2011, 90% of CHOICE clients reported annual incomes under \$25,000. This level of income is under 220% of the 2013 FPL for an individual, or 160% of the 2013 FPL for two persons.

Current Medicaid waiver eligibility standards include the following: (1) 65 years of age or disabled; (2) income level must be at or under 300% of the SSI standard; (3) assets under \$1,500 for singles and \$2,000 for a couple (excepting that spousal impoverishment provisions apply); (4) unable to perform three or more ADLs. Currently, 300% of the 2014 SSI standard for an individual is \$25,956, and \$38,952 for two persons.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Division of Aging.

Local Agencies Affected:

Information Sources: IC 12-10-11-8(11); CHOICE Annual Reports for 2010 - 2013. CHOICE Board Minutes - 2013, State Budget Agency Reversion Reports from FY 2012 and FY 2013. CHOICE Cost Share bBilled for Billing Dates 7/1/2012 - 6/30/2013, Billings actually generated. Health Management Associates, CHOICE Program Evaluation, February 1, 2013, Presented to FSSA, Division of Aging, and AARP of Indiana.

Fiscal Analyst: Kathy Norris, 317-234-1360.